

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
GNAW BONE REGIONAL SEWER DISTRICT
BROWN COUNTY, INDIANA
January 1, 2001 to December 31, 2005



FILED
03/22/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Charles E. White	01-01-01 to 12-31-06
President of the Board	E. Lee Tieche, Jr. Ronald Smith	01-01-01 to 12-31-01 01-01-02 to 12-31-06



STATE OF INDIANA

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE GNAW BONE REGIONAL SEWER DISTRICT, BROWN COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Gnow Bone Regional Sewer District (District), for the period of January 1, 2001 to December 31, 2005. The District's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the District for the years ended December 31, 2001, 2002, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 30, 2006

GNAW BONE REGIONAL SEWER DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2001, 2002, 2003, 2004, And 2005

	Cash and Investments 01-01-01	Receipts	Disbursements	Cash and Investments 12-31-01
Governmental Fund: Operating	<u>\$ 13,985</u>	<u>\$ 55,599</u>	<u>\$ 66,594</u>	<u>\$ 2,990</u>
	Cash and Investments 01-01-02	Receipts	Disbursements	Cash and Investments 12-31-02
Governmental Fund: Operating	<u>\$ 2,990</u>	<u>\$ 56,144</u>	<u>\$ 56,354</u>	<u>\$ 2,780</u>
	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Fund: Operating	<u>\$ 2,780</u>	<u>\$ 51,265</u>	<u>\$ 52,347</u>	<u>\$ 1,698</u>
	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Fund: Operating	<u>\$ 1,698</u>	<u>\$ 64,534</u>	<u>\$ 43,497</u>	<u>\$ 22,735</u>
	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Fund: Operating	<u>\$ 22,735</u>	<u>\$ 66,431</u>	<u>\$ 84,801</u>	<u>\$ 4,365</u>

The accompanying notes are an integral part of the schedules.

GNAW BONE REGIONAL SEWER DISTRICT
NOTES TO SCHEDULES

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides wastewater service.

Note 2. Fund Accounting

The District uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level.

Note 4. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the District to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

GNAW BONE REGIONAL SEWER DISTRICT EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The District did not present capital asset records for audit.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PRESCRIBED FORMS

The following prescribed forms were not in use:

1. Receipt (General Form 352);
2. Check (General Form 353); and
3. Wastewater Utility Journal (Utility Form 309) or Simplified Cash Journal - Municipal Sewage Utility (Utility Form 323).

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standards setting bodies and also with various accounting guides, manuals and other publications. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DEPOSITS

As stated in the prior Audit Report B17068, in numerous instances receipts were deposited later than the next business day.

Indiana Code 5-13-6-1(c) states: ". . . all local officers, except township trustees, who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the several local boards of finance that have jurisdiction of the funds. . . ."

GNAW BONE REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

SALES TAX

Sales tax was paid on some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ERRORS ON CLAIMS

Claims were not adequately itemized.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks, states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

GNAW BONE REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

GNAW BONE REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2006, with Larry Lopshire, Accountant.
The official concurred with our findings.